LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7106 | **NOTE PREPARED:** Feb 12, 2005
BILL NUMBER: HB 1747 | **BILL AMENDED:**

SUBJECT: Deferral of property tax payments.

FIRST AUTHOR: Rep. Budak | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** | **IMPACT:** Local
DEDICATED
FEDERAL

Summary of Legislation: This bill allows the deferral of any part of the property taxes that: (1) exceed a minimum required payment; and (2) are imposed on a homestead that is the principal place of residence of an individual who is at least 65 years of age, blind, or disabled (or the individual's surviving spouse) and who would otherwise qualify for a homestead credit.

Effective Date: Upon passage; July 1, 2005.

Explanation of State Expenditures: Property Tax Replacement Credits and homestead credits would not be affected by this provision.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under this bill, homesteaders who are 65 years old, blind, or disabled may qualify to have a portion of their property tax bills deferred until the home is sold, transferred, or the owner no longer qualifies for the deferral.

Interest would accrue at the interest rate that the state charges for delinquent taxes (3% in 2005) on the part of a tax payment that is deferred, beginning five years after that deferral.

The amount of taxes deferred in a year, if any, would reduce the tax collections of the taxing units that serve the property. The reduction in collections would reduce revenue for local civil units and school corporations. Deferral payments would be treated as a miscellaneous revenue by the taxing units that receive them. As such, these payments would not count as property tax collections and would not have to be deposited into the levy excess fund if tax collections exceed 100% of the levy. These payments would increase revenue for the units.

Overall, at least initially, taxing units would have a reduction in revenue. If deferral payments are ever greater than deferrals in a future year, then revenues would increase in those years.

The bill would set the base year taxes for all homeowners and would allow deferrals for taxes that are above the base year threshold plus growth.

If a homeowner owned the home on March 1, 2002, then the threshold in a year would equal a combination of (1) 125% of the 2002 net tax amount plus (2) for each year after 2002, 10% of the tax amount or change in taxes from the previous year.

According to income tax return data for tax year 2002, approximately 308,000 taxpayers took an elderly or blind income tax deduction. These taxpayers took an income tax deduction for property taxes paid on homesteads in the amount of $300 M.

From that data, total property taxes were estimated for this group of taxpayers in the amount of $308 M in CY 2003, $351 in CY 2004, $358 in CY 2005, and $391 M in CY 2006.

The actual fiscal impact of this proposal is still being examined.

State Agencies Affected: Department of Local Government Finance; Department of Revenue.

Local Agencies Affected: County Auditor; County treasurer; Local civil taxing units and school corporations.

Information Sources:

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